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 9 INTEGRATION, INC., a California corporation
 10 (formerly known as Integration Associates
 11 Incorporated)

FILED

AUG 22 2008

RICHARD W. WIEKING
 CLERK, U.S. DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 SAN JOSE

12 UNITED STATES DISTRICT COURT
 13 NORTHERN DISTRICT OF CALIFORNIA
 14 SAN JOSE DIVISION

15 SILICON LABS INTEGRATION, INC., a
 16 California corporation (formerly known as
 17 Integration Associates Incorporated),

18 Plaintiff,

v.

19 SHMUEL MELMAN, an individual,

20 Defendant.

COS 04030 HRL

21 CASE NO. 08-04030-HRL
 22 COMPLAINT FOR DECLARATORY
 23 RELIEF (28 U.S.C. §§ 2201-2202) AND
 24 INTENTIONAL INTERFERENCE WITH
 25 PROSPECTIVE ECONOMIC
 ADVANTAGE

26 DEMAND FOR JURY TRIAL

27 Plaintiff SILICON LABS INTEGRATION, INC., a California corporation (formerly
 28 known as Integration Associates Incorporated) ("Plaintiff" or "Integration Associates" or "IA"),
 alleges as follows against Defendant SHMUEL MELMAN ("Defendant" or "Melman"):

JURISDICTION & VENUE

1. This Court has jurisdiction pursuant to 28 U.S.C. § 1332(a)(2) by reason of
 diversity of citizenship between Plaintiff and Defendant and the matter in controversy exceeds,
 exclusive of interest and costs, the sum of \$75,000.

2. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1331(a) in that a
 substantial part of the events or omissions giving rise to the claim occurred in this District and
 Defendant has sufficient contacts with this District to make him subject to personal jurisdiction in

1 this District; and pursuant to 28 U.S.C 1331(d) in that Defendant is an alien who may be sued in
 2 any district.

3 **INTRADISTRICT ASSIGNMENT**

4 3. Pursuant to Civil L.R. 3-2(c) and (e), assignment of this action to the San Jose
 5 division is proper and appropriate, as Plaintiff has a principal place of business in Santa Clara
 6 County and events giving rise to this action occurred in Santa Clara County.

7 **THE PARTIES**

8 4. Plaintiff SILICON LABS INTEGRATION, INC., is a California corporation
 9 (formerly known as Integration Associates Incorporated), with a principal place of business at
 10 100 Pioneer Way, Mountain View, California.

11 5. Plaintiff is informed and believes, and based thereon alleges, that Defendant
 12 SHMUEL MELMAN is, and at all relevant times was, an individual resident and citizen of the
 13 State of Israel, who resides at 64 Pinkas St., Tel-Aviv ISRAEL 62157 and also maintains an
 14 office at 12 Kineret St., Airport City, ISRAEL 70151.

16 **BACKGROUND ALLEGATIONS**

17 6. Plaintiff designs and manufactures semiconductors for radio frequency, infrared,
 18 modem, and power management applications for systems from notebook computers to
 19 communications networks. At the time giving rise to the events of this lawsuit through July 29,
 20 2008, Pierre Lamond was a member of the Board of Directors of Plaintiff. At the time giving rise
 21 to the events of this lawsuit, Rafael ("Rafi") Fried was a Vice President in the Wireless Division
 22 of Plaintiff.

23 7. Defendant is the CEO of a company, Crow Electronic Engineering, that
 24 manufactures electronic security systems. Crow Electronics Engineering purchases and utilizes
 25 the semiconductor products of IA and Silicon Laboratories Inc. ("Silicon Laboratories") in its
 26 security systems.

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1 *The Integration Associates Acquisition*

2 8. On June 24, 2008, Silicon Laboratories Inc. of Austin, Texas publicly announced it
 3 had signed a definitive agreement to acquire Plaintiff, then known as Integration Associates, for
 4 net \$80 million (the “IA Acquisition”).

5 9. On July 29, 2008, Silicon Laboratories Inc. closed the IA Acquisition. After
 6 closing, Integration Associates Incorporated became known as Silicon Labs Integration, Inc., a
 7 California corporation, a wholly owned subsidiary of Silicon Laboratories Inc.

8 *Defendant’s Demand For Commission Related to IA Acquisition*

9 10. On or about June 26, 2008, Defendant Melman sent a letter addressed to Pierre
 10 Lamond and Rafael Fried of Integration Associates in Mountain View, California. In that letter,
 11 Melman asserted that he was entitled to a commission of “five percent of the gross transaction
 12 consideration” (or \$4,000,000) for efforts he allegedly made related to the IA Acquisition.
 13 Melman claimed that through conversations with Rafael Fried at IA, Melman had formed an
 14 agreement with Integration Associates to locate an acquirer for IA and be compensated with a
 15 commission. Melman claimed that a conference call he had with Silicon Laboratories in which
 16 he mentioned IA and its products led to the acquisition and entitled him to such a commission.

17 11. Integration Associates, through counsel, replied to Mr. Melman’s contentions on
 18 July 2 and again on July 22, denying his allegations, denying any agreement between IA and
 19 Melman related to Silicon Laboratories’ acquisition of IA, and denying that Melman acted as an
 20 intermediary with respect to the IA Acquisition.

21 12. In response, on July 15, 2008, Melman asserted, in a letter from counsel, that he
 22 had “little choice by to initiate legal action” and that “the allegations and claims that such action
 23 will likely include are fraud, breach of contract, bad faith and unjust enrichment and the like.”

24 13. Further, on July 18, 2008, Melman, in a letter from counsel, again stated that
 25 intends to assert his rights by taking legal action against IA and asked that IA preserve documents
 26 related to the dispute.

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1 14. Defendant Melman has claimed and continues to claim that he is entitled to
2 recover 5% of the value of the IA Acquisition (or at least \$4,000,000) as a commission or finder's
3 fee for alleged services he rendered on behalf of IA related to the IA Acquisition.

4 15. Plaintiff denies that there was an agreement, written or oral, for any compensation
5 to Defendant related to the IA Acquisition.

6 16. Plaintiff denies that it has any other obligation or liability, contractual or
7 otherwise, to Defendant for any compensation related to the IA Acquisition.

8 17. Based on this correspondence, an actual case or controversy exists between
9 Plaintiff and Defendant.

10 *Response to Factual Allegations Made by Melman*

11 18. Defendant Melman has alleged that the commission or finder's fee obligation on
12 behalf of IA arose out of his conversations and/or emails with Rafi Fried of IA in the Spring of
13 2008.

14 19. At that time, Rafi Fried was a Vice President of a division of IA who had
15 interacted with Melman regarding sales of IA semiconductor products to Melman's company,
16 Crow Electronics Engineering.

17 20. Rafi Fried never agreed, in writing or orally, that Defendant Melman should take
18 any action on behalf of IA to seek a company to acquire IA or that Melman would be
19 compensated by any such actions. Rafi Fried continually emphasized in writing and orally that he
20 did not have authority over any potential acquisition of IA by a third party or discussions
21 regarding such acquisitions.

22 21. Defendant Melman also asserts that Pierre Lamond of IA in some way agreed to
23 compensate Melman as a broker for a potential acquisition. To the contrary, Lamond
24 affirmatively told Melman, orally and in writing in May 2008, that IA was not interested in
25 involving Melman in any way in IA's acquisition discussions.

26 22. Contrary to Melman's assertions, Defendant Melman had no involvement in
27 initiating or consummating the transaction between IA and Silicon Laboratories. Instead, Silicon
28 Laboratories had discussions with IA regarding a potential acquisition of IA completely

1 independently of Defendant Melman and predating by many months any alleged conversations
 2 between Melman and IA related to any alleged "commission." Indeed, Silicon Laboratories had
 3 hired an investment banker who had identified IA as a potential acquisition target for Silicon
 4 Laboratories as early as March 2007, and Silicon Laboratories delivered a Letter of Intent to IA
 5 concerning the potential acquisition of IA no later than March 28, 2008.

6 23. Defendant Melman has alleged that a conference call with Silicon Laboratories (on
 7 or about April 9, 2008) was instrumental in Silicon Laboratories' decision to acquire IA.
 8 Notwithstanding that a Letter of Intent already had been made by that point, the conference call
 9 was unrelated to Silicon Lab's acquisition discussions with IA. Instead, the conference call in
 10 which Melman participated was a fact-finding survey by Silicon Laboratories for product
 11 development purposes regarding the short range wireless field, including the various competitors,
 12 products, pricing and uses of such technology in the wireless security field (in which Melman
 13 operates and has used Silicon Laboratories products), and had nothing to do with the acquisition
 14 discussions between Silicon Laboratories and IA.

15 *Recent Interference with Customers*

16 24. Since IA denied Melman's demand for compensation, Melman has taken
 17 increasingly aggressive actions toward IA, Silicon Laboratories, and their customers. Upon
 18 information and belief, Melman has told colleagues in Israel that he planned to call all his
 19 contacts in the industry to ensure IA would get no further business. Upon information and belief,
 20 Melman has disparaged IA's products to potential customers in the industry in an attempt to
 21 damage the reputation of IA and its products, which has caused a loss of goodwill to IA in the
 22 industry and market.

23 25. In one instance, an IA potential customer with a relationship with Melman recently
 24 questioned IA in detail about alleged leakage in a product without no such demonstrated defect.
 25 Upon information and belief, Melman disparaged IA and its products to this customer in an effort
 26 to prevent IA from obtaining further business, and to date, IA has been unable to obtain this
 27 business.

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1 26. In another instance, an IA potential customer (that originally purchased IA
2 products after recommendation from Melman) that had been very interested in an agreement with
3 IA, recently backtracked and expressed concern and questioned IA about alleged problems with
4 the products. Upon information and belief, Melman disparaged IA and its products to this
5 customer in an effort to prevent IA from obtaining further business, and to date, IA has been
6 unable to obtain this business.

FIRST CLAIM FOR RELIEF

(Declaratory Relief 28 U.S.C. §§ 2201-2202)

9 27. Plaintiff re-alleges and incorporates by reference as though fully set forth herein
10 each and every allegation contained in paragraphs 1 through 26 of this Complaint.

11 28. Plaintiff brings this claim for a declaratory judgment under both Federal Rule of
12 Civil Procedure 57 and 28 U.S.C. §§2201, 2202.

13 29. An actual controversy has arisen and now exists between Plaintiff and Defendant
14 with respect to payment of a commission or fees for services Defendant allegedly rendered
15 related to the IA Acquisition.

16 30. Defendant contends that he is entitled to payment of 5% of the gross value of the
17 IA Acquisition as a commission or finder's fee.

18 31. Plaintiff contends that it has no obligation or liability, contractual or otherwise, to
19 pay Defendant anything related to the IA Acquisition.

20 32. Plaintiff seeks a judicial determination of its rights and obligations with respect to
21 the existence of any contractual or other obligation between Plaintiff and Defendant related to a
22 commission or finder's fee for services Defendant allegedly rendered related to the IA
23 Acquisition.

24 33. A judicial determination is necessary and appropriate at this time for each party to
25 ascertain its rights and obligations with respect to the existence of any contractual or other
26 obligation or liability between Plaintiff and Defendant for a commission or finder's fee for
27 services Defendant allegedly rendered related to the IA Acquisition.

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34. Considerations of practicality and wise judicial administration favor declaratory relief as the means to settle this controversy. No better or more effective alternative remedy exists.

SECOND CLAIM FOR RELIEF

(Intentional Interference with Prospective Economic Advantage under California Law)

35. Plaintiff re-alleges and incorporates by reference as though fully set forth herein each and every allegation contained in paragraphs 1 through 26 of this Complaint.

36. An economic relationship exists between Plaintiff and its customers and prospective customers, containing a probable future economic benefit or advantage to Plaintiff, in terms of potential sales and increase in the value of its goodwill in the industry.

37. Defendant is aware of the existence of the economic relationship between Plaintiff and its customers and potential customers.

38. Defendant has intentionally engaged in wrongful conduct designed to interfere with or disrupt Plaintiff's economic relationships and has actually interfered with and disrupted Plaintiff's economic relationships.

39. Defendant's wrongful conduct which was designed to interfere with or disrupt Plaintiff's economic relationships has damaged Plaintiff's goodwill and reputation in the industry.

Wherefore, Plaintiff prays for relief as set forth below.

PRAYER FOR RELIEF

Plaintiff prays for judgment against Defendant as follows:

1. For a declaration that Plaintiff Integration Associates has no obligation or liability, contractual or otherwise, to Defendant Melman for payment of any compensation related to services allegedly rendered related to the IA Acquisition;

2. For actual damages according to proof at trial for intentional interference with prospective economic advantage;

3. For costs of suit herein incurred; and

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4. For such other and further relief as the Court may deem just and proper.

Dated: August 22, 2008.

DLA PIPER US LLP

By

MEGAN OLESEK

Attorneys for Plaintiff SILICON LABS
INTEGRATION, INC.

DEMAND FOR JURY TRIAL

Plaintiff demands trial by jury for all issues so triable pursuant to Fed. R. Civ. Pro. 38(b) and Civil L.R. 3-6(a).

Dated: August 22, 2008.

DLA PIPER US LLP

By

MEGAN OLESEK

Attorneys for Plaintiff SILICON LABS
INTEGRATION, INC.